RV BUSINESS

JANUARY 20, 1989

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Chevy Van Policy Creates Changes For Associations

The Chevrolet Motor Division's new bailment-pool policy—which obliges applicants to affiliate with "a recognized association" that can provide leadership in standards conformance—has amounted to a windfall of new members for RVIA, Reston, Va.

The new rules have also played a role in the establishment of a new van-trade group: the International Truck Converters Assocation Inc. (ITCA), located in Martinsville, Ind.

However, the nation's only other national-scale van-conversion trade group—the 76-member National Van Conversion Association Inc. (NVCA), Greenfield, Ind.—has watched its membership grow only "slightly" as it continues feuding with Chevrolet over the legit-

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Fleetwood Plans Record Year For RV Group

A billion dollars in fiscal 1989 RV sales never was a far-fetched goal for Elden L. Smith, senior vice president-Recreational Vehicle Group of Fleetwood Enterprises Inc., to have set. After all, the Riverside, Calif.-based firm had posted five consecutive billion-dollar-plus years in corporate sales, including manufactured housing. Fiscal 1988 sales were $1.41 billion compared to $1.26 billion in 1987.

Now, barring economic calamity, that billion-dollar benchmark—an RV industry first—is within reach for Fleetwood, an employer of 10,500, with 45

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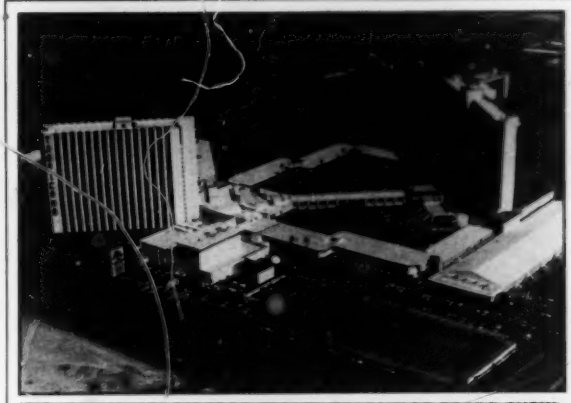

COAST CONNECTION 1989 DEALER ADVANTAGE TRADE SHOW: The Coast Distribution System is gathering its 14 divisions to put on one major trade show in Las Vegas, Nev. See page 53.

Growing Farm Market Cited for Deere's Chassis Sale to Oshkosh

A resurgence in the agricultural sector and a resultant need to refocus on the tractor business prompted Deere & Co. of Moline, Ill., to agree in principal Dec. 21, 1988, to sell its motorized vehicle chassis business to Oshkosh Truck Corp., company officials report. The Oshkosh, Wis., firm is a manufacturer of high-line, heavy-duty motorhome rails.

"As we see agriculture recover since 1987 and anticipate strong demand continuing for '89 and beyond, it simply made sense to take this action," said Robert J. Combs, director of press relations for Deere, a $5.4 billion-a-year corporation marketing the On/Voy brand of motorhome chassis.

The sale, for an undisclosed sum, is expected to be concluded by Jan. 30, 1989, according to a joint press release. Under terms of the agreement, Deere's RV- and commercial-chassis business, based at the John Deere Tractor Works in Waterloo, Iowa, will be transferred to Oshkosh during a year's period. Deere will continue to manufacture chassis and supply support services for Oshkosh, as it phases in production.

Oshkosh, for its part, expects to broaden its product offerings and add about $100 million in annual sales. For the year ending Sept. 30, 1988, Oshkosh's sales in a variety of product lines amounted to $353 million.

Because its Oshkosh factory will be unable to absorb the volume of approximately 8,500 units per year, a plant-site search has begun for a new, logistically located facility. The facility will employee 100. Production of the firm's larger motorhome chassis will remain in Oshkosh.

Other changes will probably be in store for Oshkosh, a 72-year-old company previously specializing in a lower volume of expensive gas/diesel rear-engine 'pushers' for Class A coaches. But, as the company enters a more competitive marketplace, its management

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RV BUSINESS

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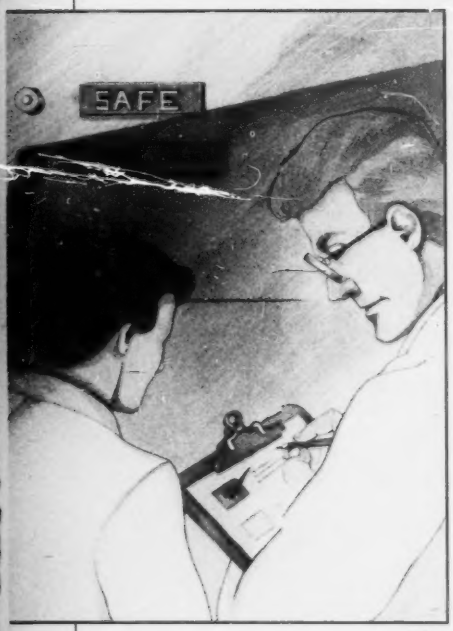

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COVER PHOTO: TROPICANA HOTEL & CONVENTION CENTER

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Suppliers are urging existing associations for a stronger voice within the RV industry.

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This year's RVDA-sponsored show at the Youth Fair/Exposition Fairgrounds in Tamiami Park, Fla., promises to be bigger and better than ever.

Coast Connection 1989 Dealer Advantage Trade Show 53
Fourteen divisions of The Coast Distribution System will convene in Las Vegas, Nev., for a major trade show—the first in four years. Floorplans, exhibitor listings and a brief overview are provided.

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YEAR-TO-DATE FIGURES REMAIN POSITIVE

THOMAS WALWORTH

East North Central: Illinois, Indiana, Michigan, Ohio, Wisconsin; **Mountain**: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming; **Northeast**: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont; **Pacific**: Alaska, California, Oregon, Washington, Hawaii; **South Atlantic**: Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia; **West North Central**: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

The third quarter, ending September 1988, did not go down on record as being strong. Two of the three months were down in travel-trailer sales compared with 1987. All three months of the third quarter were down for motorhomes compared with 1987. The bright spot was that the year-to-date numbers remained positive, with the fourth quarter of 1988 expected to outperform the fourth quarter of 1987.

Based on total registrations, the Midwest has taken the No. 1 position for year-to-date RV-trailer sales, while the Pacific region remains No. 1 in motorhome sales.

The motorhome market had a nationwide decrease of 13.1% in sales for the month of September. The year-to-date comparison for September had the market at a 2.3% increase over the September 1987 year-to-date market.

Figure 1 shows seven regions ranked by the percent of change in motorhome sales from September 1987. Within the highest ranked Mountain region, Montana had the largest positive percent of change in sales. In the lowest-ranked West North Central region, South Dakota had the largest percentage decline.

Figure 2 shows the same regions ranked by the percent of change in sales for the year-to-date compared with the same nine-month period of 1987. Nevada had the largest percentage increase in the leading Mountain region. In contrast, North Carolina had the largest negative percentage change in the South Atlantic region.

Meanwhile, the RV-trailer market in September 1988 registered a 5.9% increase in unit sales. The year-to-date comparison showed that RV-trailer sales experienced a 4.29% increase compared with those of September 1987.

Figure 3 shows the nation's main regions ranked by their percentage change in RV-trailer sales in September 1988 compared with the same month in 1987. In the leading South Central area, Mississippi had the largest positive percentage change. Georgia experienced the largest decline in September in the bottom-ranked South Atlantic region.

The regional year-to-date rankings for RV trailers are shown in Figure 4. In the top-ranked West North Central region, Nebraska had the greatest percentage increase compared with 1987. At the other end of the spectrum, Florida had the greatest decline in RV-trailer sales in the lowest-ranked South Atlantic region.

With expected growth in the fourth quarter, a positive outlook prevails. Some of the areas that recorded such poor numbers in the early part of the year seem to be coming back.

It is expected that 1988 sales in both markets should surpass those of 1987. Δ

Thomas Walworth is general manager of Statistical Surveys Inc., Grand Rapids, Mich., which has reported retail statistics for 30 years to the RV industry. Statistical Surveys is an acknowledged leader in the RV statistical field.

MOTORHOME MARKET

Sept. '88 Rank	Region	% of Change From Sept. '87	Aug. '88 Rank
1	Mountain	– 5.61	2
2	Northeast	– 5.76	5
3	Pacific	– 8.90	1
4	S. Central	–11.33	6
5	E.N. Central	–17.00	4
6	S. Atlantic	–21.40	7
7	W.N. Central	–26.50	3

Figure 1

MOTORHOME MARKET

Sept. '88 Rank	Region	% of Change Year-to-Date	Aug. '88 Rank
1	Mountain	12.62	2
2	Pacific	10.58	1
3	Northeast	2.67	4
4	E.N. Central	1.29	3
5	W.N. Central	–3.63	5
6	S. Central	–5.04	6
7	S. Atlantic	–9.86	7

Figure 2

RV-TRAILER MARKET

Sept. '88 Rank	Region	% of Change From Sept. '87	Aug. '88 Rank
1	S. Central	23.50	4
2	Mountain	15.80	7
3	E.N. Central	11.67	5
4	Northeast	.31	3
5	Pacific	– .56	1
6	W.N. Central	–12.80	6
7	S. Atlantic	–15.80	2

Figure 3

RV-TRAILER MARKET

Sept. '88 Rank	Region	% of Change Year-to-Date	Aug. '88 Rank
1	W.N. Central	8.70	2
2	Mountain	7.06	3
3	North East	6.99	1
4	Pacific	4.32	4
5	S. Central	3.40	5
6	E.N. Central	– .03	6
7	S. Atlantic	–4.31	7

Figure 4

GRAPHICS: CUSTOM COLOR VISUALS

SHIPMENTS WERE UP AGAIN FOR THE MONTH OF OCTOBER

MORTON J. MARCUS

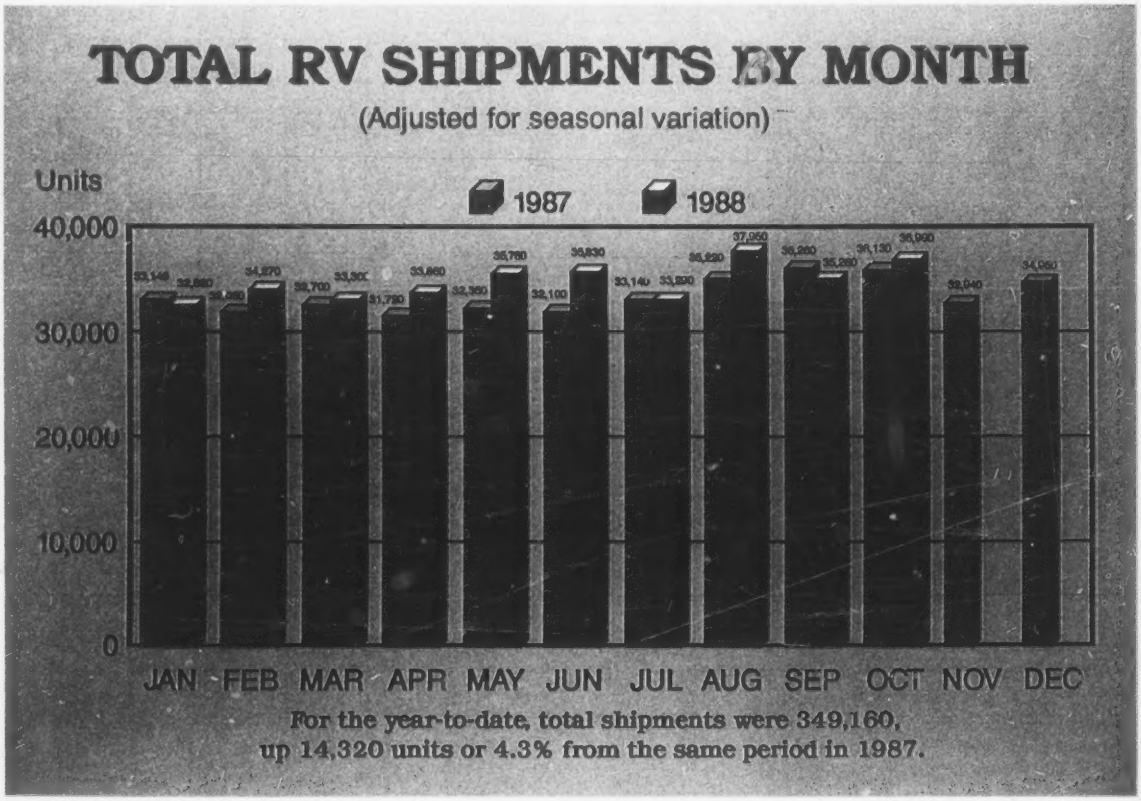

Figure 1

Many otherwise successful and intelligent people get a kick out of joining us for a monthly run-through of the RV-shipment data. Regular readers of this page must be similar to those millions of persons who watch the syndicated quiz shows. There is a certain thrill, if you have nothing better to do, in watching the numbers change and trying to figure out what the answer is along with, or before, the anxious, ever-applauding contestant.

Monthly data are simply too erratic to act as a foundation for sound judgment. Yet, we must have them in case they reveal anything about trends; three months is too long to wait for quarterly numbers. A firm could lose all if it found out about the market only when the dogsled got to town with the mail from the Lower 48.

Consider, the strange, but not unusual, case of October 1988. When we last saw the RV-shipment data (seasonally adjusted and neatly tucked in), September had just delivered a surprise. Total shipments were below those of September 1987. The year-to-year difference was small, but it was the first time since January '88 that shipments fell below the same month a year earlier. That deficit, that deficiency was just 980 units. *(See Figure 1.)*

Then, along came October, golden in the autumnal sun, yielding the mature fruit of the baseball season in combination with the robust energy of football teams on every high-school and college field. Total RV shipments for October 1988 were up by 860

GRAPHICS: CUSTOM COLOR VISUALS

units compared with the same month a year earlier. The net of all this movement: virtually nothing. September and October squared off against each other in a year-to-year bout that left a net decline of just 120 units (0.2%).

After the industry had shipped more than 72,000 units in two months, the year 1988, at the end of October, was hardly any different from 1987 than it had been at the end of August.

Missing the Point

Yes, if you are looking for dramatic movement, earth-shaking change, and the thrill of discovery in the RV shipment data, you are looking in the wrong place. But that is because you would be looking for the wrong things. The point is that the industry shipped more than 72,000 units, which provided employment for thousands of persons, as well as satisfaction for thousands of customers. Journalists and business anaylsts are trained to look for change. Too often, they focus exclusively on change, and dramatize with artful analogy. Lost in all of that effort is a simple appreciation of the basic reality. Here, that reality is that another 72,000 recreational vehicles were shipped.

The fact that there was little change from 1987 does not suggest any weakness or deficiency in the industry. Growth is not lacking; the year-to-date figures were a respectable 4.3% ahead of the same point in 1987. This was not as strong as the 5.5% gain recorded through August, or the 6% gain that had been present through the end of June. Nonetheless, total shipments were more than 14,300 units ahead of the pace for 1987; at this rate, 1988 should close with 420,000 units.

Van Conversions on the Move Again

Shipments in October 1988 were 1,700 higher on net than in September. Of the 11 types of units reported, four declined and the other seven advanced. *(See Figure 2.)* The upside volume was led by van conversions, which added 1,170 units for the month. Towables added 420 units with mixed detail: Park models and folding campers were down, but other towables had offsetting gains. Motorhomes were up by just 120 units; van campers and minis also advanced, while the other three types of RVs declined.

Van conversions continue to be the real strength in the industry. For the year-to-date, they were up by more than 11,400 units or 7.5%. The growth in van conversions was just shy of 80% of all the growth in the market – this, despite the fact that van conversions account for 47% of the market. *(See Figure 3.)* Once again, these popular units are approaching a position where they will have half of the total RV market.

The fact that there was little change from a year earlier does not suggest any weakness in the industry.

Motorhomes are not keeping pace. Not only were they declining in market share, but they were down for the year-to-date by nearly 1,200 units or almost 2%. This translated to a loss of 1.1 market-share points to contrast with the 1.4-point gain of van conversions.

Also losing ground in market share were towables, as growth in this portion of the market was at 3.4%, less than half the growth rate of van conversions. Yet, among towables, only conventional travel trailers were below the pace of shipments for 1987. Fifth-wheels had the strongest percent gain of all RV types for the year-to-date. In addition, park models and truck campers showed stronger rates of growth than van conversions. The difficulty is that, taken all together, these three types account for just a third of all towables. Hence, their percentage gains did not translate into major volume improvements. Δ

MARKET SHARE BY TYPE OF UNIT
(Year-to-date, adjusted for seasonal variation)

	1988	1987
Total RVs	100.00	100.00
Travel Trailers:		
Conventional	13.89	14.82
Park Models	1.74	1.68
Fifth-wheels	7.40	6.57
Folding Camping Trailers	9.88	10.24
Truck Campers	2.61	2.52
Motorhomes:		
Class A	9.96	10.11
Class B Van Campers	1.31	1.85
Class C:		
Minis	5.14	5.11
Low Profiles	0.49	0.61
Micro-minis	0.59	0.90
Multiuse Van Conversions	46.99	45.59

Detail may not add to total because of rounding.

Figure 3

Morton J. Marcus is the director of the Indiana Business Research Center at Indiana University School of Business, where he is also a member of the faculty. Marcus specializes in using statistics to identify economic trends.

RV SHIPMENTS BY TYPE OF UNIT
(Adjusted for seasonal variation)

TYPE OF UNITS	OCT 1988	PERCENT CHANGE FROM SEP	YEAR-TO-DATE 1988	YEAR-TO-DATE 1987	PERCENT CHANGE
Total RVs	36,990	4.8	349,150	334,840	4.3
Travel Trailers:					
Conventional	5,010	10.7	48,500	49,610	-2.2
Park Models	440	-25.8	6,080	5,810	4.6
Fifth-wheels	2,550	1.7	25,840	22,010	17.4
Folding Camping Trailers	3,350	-0.8	34,510	34,300	0.6
Truck Campers	1,000	7.6	9,120	8,440	8.1
Motorhomes:					
Class A	3,710	-9.1	34,790	33,850	2.7
Class B Van Campers	780	110.3	4,580	6,200	-26.1
Class C:					
-Minis	2,190	14.0	17,940	17,110	4.8
-Low Profiles	710	-60.5	1,710	2,040	-16.2
-Micro-minis	140	-34.8	2,040	3,020	-31.9
Multiuse Van Conversions	17,710	7.1	164,060	152,850	7.3

Note: Percentages may not add because of rounding.

Figure 2

WDA SALES PUSH UP AGAIN AT THE CLOSE OF THE THIRD QUARTER

MORTON J. MARCUS

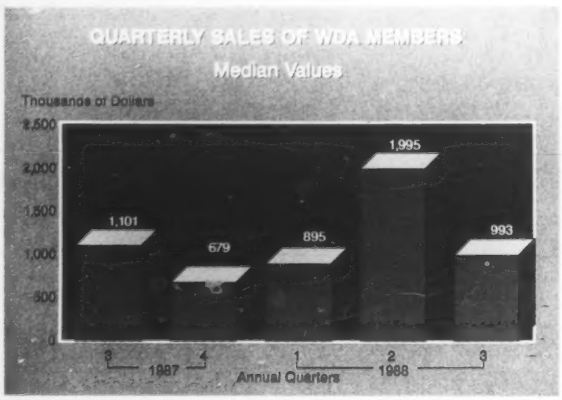

Figure 1

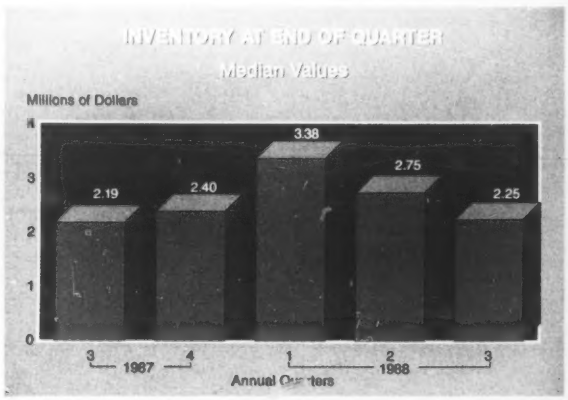

Figure 2

Figure 3

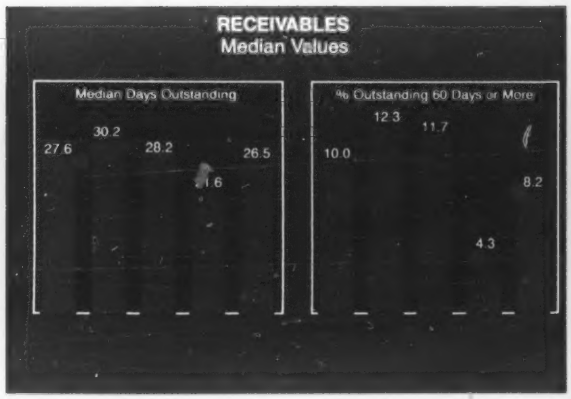

Figure 4

The aftermarket for RV parts and supplies continued to grow in the third quarter of 1988. Thirty-one firms reporting in the Warehouse Distributors Association (WDA) quarterly survey indicated that total sales were up by nearly 13%, compared with the third quarter of 1987. Total sales reported were $61.5 million in 1988 during July, August and September, compared with $54.5 million in that quarter of 1987. With 31 firms reporting in each quarter, the average per firm rose from $1,757,000 to $1,983,000.

Figure 1 shows that the median firm's sales fell, but this was the result of a change in the size of firms reporting, rather than a true reflection of the industry. Statistics are useful when they are consistent. For this reason, each WDA participant receives a report that includes not only the general industry information but also a special section, which indicates the changes for those firms reporting in both the most recent quarter and the same quarter a year earlier. Thus, when we examined the data for the

GRAPHICS: CUSTOM COLOR VISUALS

WDA AFTERMARKET *continued*

26 firms reporting in the third quarter of both 1987 and 1988, the indications were clear that the industry was doing well. Total sales were up more than 19% for these firms, and the median firm had a substantial rise in sales – not a decline as seen in the data for all firms.

The same picture emerged when inventories were examined. *(See Figure 2.)* All firms showed inventories rising in the year-to-year comparison. Continuing firms showed inventories falling between 1987 and 1988. These conflicting reports again were a result of more small firms participating in the WDA survey in 1988 than were in the returns a year earlier. Smaller firms typically have lower sales-to-inventory ratios:

From all reliable data contained in the WDA survey, the picture was of a stronger aftermarket for the RV industry.

3rd Quarter '88	
Smaller firms (sales less than $2 mil/yr)	.57
Medium size ($2 mil to $6 mil/yr)	.61
Larger firms (more than $6 mil/yr)	.75

When the industry is considered by this size breakdown, the result is very positive. The sales-to-inventory ratios were all higher than they were in 1987. *(See Figure 3.)* Such a breakdown is possible only when enough firms report to allow a disaggregation of results.

Firms reporting in the WDA survey showed a slight decline in the average days for receivables – down from 27.6 days in 1987 to 26.5 days in 1988. *(See Figure 4.)* This improvement was mirrored in the decline of the percent of receivables more than 60 days old. This figure declined from 1987 levels, moving from 10% to 8.2%. Thus, from all reliable data contained in the WDA survey, the picture was of a stronger aftermarket for the RV industry. Δ

Morton J. Marcus is the director of the Indiana Business Research Center at Indiana University School of Business, where he is also a member of the faculty. Marcus specializes in using statistics to identify economic trends.

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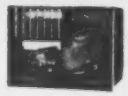

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